
ANNUAL REPORT

CITY OF WESTMINSTER HOUSING AUTHORITY

FY 2014-15



INTRODUCTION

About This Annual Report

SUMMARY

California Health and Safety Code ("HSC") Section 34328 states that "at least once a year, an authority shall file with the clerk of the respective city or county and with the Department of Housing and Community Development ("HCD") a report ("Annual Report") of its activities for the preceding year." This Annual Report for the City of Westminster Housing Authority ("Authority") covers all the activities that have occurred during the 2014-15 Fiscal Year, including housing unit compliance with affordability requirements, activities concerning existing debt obligations, as well as land transactions and development.

LEGAL AUTHORITY

It is the intent of the State legislature that housing authorities function as local entities with the primary responsibility of providing housing for very low and low income households. As such, housing authorities are distinct, autonomous, legal entities that derive their powers from State statute. California Health and Safety Code ("HSC"), beginning with Section 34200, provides for the functioning of a local housing authority through a resolution of the local governing body. In the case of the City of Westminster ("City"), the City Council of the City of Westminster ("City Council") resolved that the Authority could exercise its powers. The resolution adopted by the City Council must be accompanied by a finding that either of the following is true: (1) unsanitary or unsafe housing exists in the city or (2) there is a shortage of safe or sanitary housing available to persons of low income. On February 9, 2011, the City Council adopted Resolution No. 4344, confirming that both aforementioned findings have been met to establish a housing authority in accordance with the California Housing Authorities Law (Health and Safety Code Section 43200, et. seq.).

Benefits of Housing Authorities:

- Local jurisdictions are afforded the opportunity to participate in one or more of the Public Housing Programs offered by HUD.
- Housing Authorities can own and operate housing developments, alleviating the need to find owners or operators for units created.
- State law provides Housing Authorities the ability to exercise eminent domain to assemble land for housing projects without the need to document blight.
- A city housing authority's area of operation includes the entire city and the area within 5 miles of its territorial boundaries.

OBJECTIVES OF THE HOUSING AUTHORITY

For many housing authorities, their primary role is to interact with the Department of Housing and Urban Development ("HUD") on behalf of their communities, and to function as the administrator of "Section 8" funds, as defined by Section 8 of the United States Housing Act of 1937. This entails determining applicants' eligibility to receive Section 8 assistance, maintaining a waiting list of eligible participants, contracting with owners, and ensuring that contracted rent prices are reasonable. However, the Authority is also a powerful tool to meet the affordable housing needs of a wider range of residents for which Section 8 alone cannot provide. The Authority is able to own and operate housing developments, which alleviates the need to find prospective owners or operators for the units created.

The Authority's future goals and objectives are to:

- Increase and improve housing stock available to low and very low income residents;
- Rehabilitate multi-family properties that exhibit unsafe or unhealthy characteristics;
- Increase the affordability of housing for low and very low income residents; and
- Reduce overcrowding conditions in multi-family units.

CONTENTS OF THE AUTHORITY'S ANNUAL REPORT

This Annual Report has been developed to accomplish the following goals:

- To provide a complete report of activities during FY 2014-15, including any bond issuances, and loans or finance agreements that the Authority has entered into;
- To show compliance with requirements of HSC Section 34312.3 such as the minimum amount of housing units affordable to lower income in projects assisted by the Authority, and document established base rents and/or maximum rental payments for lower income households; and
- To document any domestic violence tenancy terminations or Section 8 voucher terminations as required by HSC Section 34328.1.

LEGISLATIVE ACTIVITY

As a result of Assembly Bill x1 26 ("ABx1 26"), all redevelopment agencies in the state were dissolved on February 1, 2012. This dramatic change to property tax finance has resulted in the complete elimination of all local, publicly generated dollars earmarked for affordable housing. Thus housing authorities have been left in a challenging position – the need for them is greater than ever, but a key funding source has been eliminated.

Under ABx1 26, the assets of a former redevelopment agency are divided into two categories. Non-housing assets are transferred to newly formed Successor Agencies for disposition, and housing assets are transferred to a selected Housing Successor entity. The City elected to designate the Authority as the Housing Successor, as allowed by law. ABx1 26 and the subsequent "clean up" legislation of AB 1484, have defined the transfer to include "all rights, powers, assets, liabilities, duties, and obligations associated with the housing activities of the agency, excluding any amounts in the Low and Moderate Income Housing Fund." All but two housing assets have been transferred to the Successor Agency, as of September 12, 2014. The California Department of Finance ("DOF") denied the transfer of the 13920 Hoover Street and the rehabilitation loan for the 14561 Benchley Circle property, stating that DOF was unable to confirm if these properties qualified as housing assets. The Successor Agency to the Westminster Redevelopment Agency ("SAWRA") continues to work towards transferring these remaining assets to the Housing Authority.

AB 1484 also allows for Successor Agencies to repay funds borrowed from the former redevelopment agency's Low and Moderate Income Housing Fund that were used to pay the Supplemental Educational Revenue Augmentation Fund ("SERAF") charges of 2009-10 and 2010-11. As the Housing Successor, the Authority is entitled to receive approximately \$14.6 million in total. Repayment began in January 2014, and a total of approximately \$3.8 million has been received as of June 30, 2015. Maximum loan repayment amounts are governed by a statutory formula and must be approved by the Oversight Board. Repayment is dependent upon a variety of factors, but it is anticipated full repayment would be completed within the next several years.

HOUSING AUTHORITY DEBT OBLIGATIONS

Pursuant to HSC Section 34312.3, the Authority must provide a complete report of its activities taken during the prior fiscal year, which includes bonds, loans, and financing agreements for multi-family rental housing projects. The Authority maintains an agreement with the City that states the City may advance funds to the Authority for the purpose of financing operations and projects. The total funds advanced pursuant to the agreement, plus all interest accrued thereon, will be repaid by the Authority when funds are available. The Authority received an initial advance of \$75,000 from the Agency for legal and consultant fees related primarily to creation of the Authority and initiation of compliance monitoring efforts currently underway. Future financing for the acquisition, construction, rehabilitation, or development of multi-family housing through the issuance of bonds, construction loans, mortgage loans, and/or financing agreements will be documented as they occur.

LAND TRANSACTIONS AND DEVELOPMENT

HSC Section 34312.3 requires that all prior year activities be recorded related to the development, rehabilitation, or finance of housing projects; purchase, sale, lease, ownership, operation, or management of housing projects assisted by the Authority; conveyance of surplus lands to a developer for permitted purposes; and establishment of a special trust fund or account funded with bond issuance proceeds or developer.

Between May 2011 and September 2014, most housing assets were transferred from the City and SAWRA to the Housing Authority as permitted by law, and/or approved by DOF pursuant to dissolution procedures. All real estate assets owned by the Authority are shown in Table 1 in the following section of this Annual Report.

The Authority has also recently entered into a loan agreement to fund the Locust Street Affordable Living Solutions Project using \$630,662 of Home Investment Partnership Program ("HOME") funds and \$797,338 of SERAF funds that are in repayment to the Housing Authority. These two loans would be repaid over time from residual receipts. American Family Housing, the Developer, is to pay down the loans after case management costs and operation expenses are paid. The project entails the purchase of the single-family home with multiple unpermitted additions to both the front house and garage, on a 5,750 square foot property. Both the front house and garage will be demolished, and three apartment dwellings will be constructed instead, including a three-bedroom front unit, and 2, two-bedroom, apartment units on top of tuck-under-parking. As a result, the project will convert an existing two-bedroom house into three habitable units, helping up to 17 people have safe, affordable housing. This project is anticipated to be completed in 2016.

HOUSING UNIT COMPLIANCE

As set forth by HSC Sections 34328 and 34328.1, housing authorities are required to:

- Show compliance with requirements of HSC Section 34312.3, such as the minimum amount of housing units affordable to lower income in projects assisted by the Authority, and document established base rents and/or maximum rental payments for lower income households; and
- Document any domestic violence tenancy or Section 8 voucher termination as required by HSC Section 34328.1.

The following subsections provide a summary of the Authority's progress toward the requirements listed above.

Housing Affordability Requirement

Pursuant to HSC Section 34312.3, not less than 20 percent of the units assisted by the Authority, or 15 percent in targeted areas, as defined by Section 103(b) (12) (A) of Title 26 of the United States Code, must be affordable to persons of low income. Of that amount, not less than one-half must be available to persons of very-low income, if the housing development is financed by bonds. Development projects must also be approved by the local governing body and the local school district prior to constructions or ownership. Nevertheless, the power to finance, own, build, and/or operate a housing development allows the Authority to take on a more active role in the creation and maintenance of housing for low income families.

The Authority maintains an annual compliance monitoring process that confirms and enforces income and rent levels in the existing units now under the purview of the Authority. Table 1 provides a summary of the multi-family real estate assets owned or managed by the Authority, and the breakdown of the current income levels that the units fall within. Table 1 shows that the current affordability mix of the Authority's projects meet established requirements within HSC Section 34312.3.

Westminster Housing Authority Multi-Family Residential Real Estate Assets							Table 1
Project Name	Location	Project Type	VL	Low	Mod	Mkt. Unit	Total No. Units
AFH Triplex	13942 Cedar Street	Family Rental Units	3	0	0	0	3
AFH Single Family	8022 Worthy Drive	Family Rental Units	0	1	0	0	1
Windsor Court	8140 13th Street	Senior Rental Units Family Rental Units	58	0	0	0	58
Straford Place	8144-8158 13th Stret		8	20	0	0	28
Coventry Heights	7521 Wyoming Street	Senior Rental Units	75	0	0	1	76
AMCAL Royale Apartments	280 Hospital Circle	Family Rental Units	26	9	0	1	36
Newland Street	14041 Newland Street	Family Rental Units	53	0	0	1	54
Westminster Senior Apts.	7632 21th Street	Senior Rental Units	29	64	0	0	93
Rose Gardens	8190 13th Street	Senior Rental Units	0	132	0	0	132
Village Way	14282 Village Way	Family Rental Units	0	0	4	0	4
Locust Drive	14242, -46, -48 Locust Dr	Transitional Units					Varies
Total			252	226	4	3	485

In addition to these properties, future receivables from approximately 60 single-family units that were provided first time homebuyer loans were transferred to the Authority, as were residual receipts from certain developments. Any repayments will go to the Authority for use in compliance with all applicable laws.

Base & Maximum Rents

HSC Section 34312.3 establishes a set of guidelines to determine base and maximum rents that a housing authority can charge for units reserved for lower income households. According to HSC Section 34312.3, "rental payments....shall not exceed the amount derived by multiplying 30 percent times 50 percent of the median adjusted gross income for the area, adjusted for family size, as determined pursuant to Section 8 of the United States Housing Act of 1937 (42 U.S.C. Sec. 1437f)."

The Authority currently operates a variety of housing projects, and affordability requirements can vary between them based upon the controlling documents. For example, a project completed with tax credits adheres to those specific restrictions, while a project completed with different funding or applicable agreements will adhere to those standards. This is particularly important to note as the Authority received former Redevelopment Agency properties, which had to adhere to a different set of laws than the Housing Authority does. Therefore, while the Authority does not have an adopted schedule of base rental payments, Table 2 provides a calculation of the maximum rental payments that the Authority can charge for lower income households units. The Authority annually monitors rent levels to ensure compliance with all applicable controlling documents and laws.

Orange County - 2014 & 2015													Table 2	
Affordable Rental Housing Limits														
Area Median Income: \$87,200			Very Low Income				Low Income				Moderate Income			
Change from 2011: 0.00%														
Median Income	Utility Allowance	HUD FMR	Number of		Qualifying Income Limit	Max. Rent 30% X 50%	Qualifying Income Limit	Maximum Rent Range		Qualifying Income Limit	Maximum Rent Range			
			Persons	Bedrooms				30% X 60%	30% X 80%		30% X 110%	30% X 120%		
H&S Code 50052.5(a)					H&S Code 50053(b)(2)		H&S Code 50053(b)(3)		H&S Code 50053(b)(4)					
\$61,050	\$44	\$1,175	One	Studio	\$33,750	\$763	\$53,950	\$916	\$1,349	\$73,250	\$1,679	\$1,831		
\$69,750	\$58	\$1,327	Two	One	\$38,550	\$872	\$61,650	\$1,046	\$1,541	\$83,700	\$1,918	\$2,093		
\$78,500	\$70	\$1,584	Three	Two	\$43,350	\$981	\$69,350	\$1,178	\$1,734	\$94,200	\$2,159	\$2,355		
\$87,200	\$108	\$2,241	Four	Three	\$48,150	\$1,090	\$77,050	\$1,308	\$1,926	\$104,650	\$2,398	\$2,616		
\$94,200	\$124	\$2,580	Five	Four	\$52,050	\$1,178	\$83,250	\$1,413	\$2,081	\$113,000	\$2,591	\$2,825		
\$101,150	\$135	n.a	Six	Five	\$55,900	\$1,264	\$89,400	\$1,517	\$2,235	\$121,400	\$2,782	\$3,035		
Note: Maximum Rent reflects gross rent amount before deduction for utility allowance.														

Domestic Violence

State law requires that a housing authority annually disclose data related to domestic violence incidents in units owned or operated by the housing authority. Specifically, the data must include:

- Data on termination of tenancies and/or Section 8 vouchers of victims of domestic violence in housing authority units.
- Summary of steps taken by the housing authority to address any termination of tenancies and/or Section 8 vouchers of victims of domestic violence.

The Authority did not terminate tenancies for any reason in FY 2014-15. In the future, information on any terminations of this kind will be presented under separate cover to protect the privacy of the parties involved.

FINANCIAL STATEMENT/BUDGET

Table 3 presents the revenues and expenditures within the Authority's estimated final budget for FY 2014-2015 as well as the estimated budget for FY 2015-16.

Westminster Housing Authority		Table 3	
Statements of Revenues & Expenses			
	<u>Estim. 2014-15</u>	<u>Adopted 2015-16</u>	
REVENUE			
Beginning Fund Balance			
Interest Income	\$ 17,643	\$ 20,000	
Program Income	\$ -	\$ 50,000	
SERAF	\$ 2,000,000	\$ 1,655,000	
Miscellaneous	\$ -	\$ -	
Transfers In	\$ -	\$ -	
Total Revenues	\$ 2,017,643	\$ 1,725,000	
EXPENSES			
Salaries & Benefits	\$ 234,125	\$ 347,000	
Operations & Maintenance	\$ 24,261	\$ 36,000	
Contractual	\$ 40,000	\$ 75,000	
Program Grants	\$ 981,206	\$ 1,250,000	
Total Expenses	\$ 1,279,592	\$ 1,708,000	
Ending Balance	\$ 738,051	\$ 17,000	

Pursuant to SB341 (Health and Safety Code Section 34176.1)

- (a) The amount deposited to the Low and Moderate Income Housing Asset Fund (LMIHAF) distinguishing any amounts deposited for items listed on the ROPS from other amounts. **\$1,655,000**
- (b) Amounts held at year-end for items listed on the ROPS. **\$0**
- (c) A description of expenditures of the LMIHAF by the following categories:
 - 1. Amounts used for monitoring and preserving affordability covenants **\$40,000**
 - 2. Administrative costs **\$325,352.29**
 - 3. Homeless prevention **\$1,919.25**
 - 4. Development of affordable housing for Low, Very Low, and Extremely Low income households **\$632,375.49**
- (d) The statutory value of real property and loans and grants receivable. **Receivables were \$24,821,140.00 which includes Developer Loans receivable, Rehab/Homebuyer Loans receivable, and the SERAF Repayment receivable.**
- (e) Are there any projects in which the housing successor Agency pooled funds with another housing successor to develop a project? If so, please provide details on the project. **No.**
- (f) A description and status of any project for which the housing successor receives property tax revenue pursuant to the ROPS. **None.**
- (g) A status update on the disposition or development of property. **None.**
- (h) A description of any outstanding replacement housing obligations under Health and Safety Code section 33413. **None.**
- (i) The percentage of LMIHAF funds used for affordable rental housing for Extremely Low Income households. **No funds expended this fiscal year.**
- (j) The percentage of units of affordable housing for seniors developed, individually or jointly, by the housing successor, former redevelopment agency or city within the previous 10 years. **No units developed this fiscal year.**
- (k) Excess surplus calculation. **SB 341 requires that the Housing Authority look at the prior four years of deposits. With the first possible deposit being during FY 12/13, the Excess Surplus evaluation for the prior four years (12/13, 13/14, 14/15, 15/16) for the Westminster Housing Authority would be at the close of FY 15/16.**

